

## Manaksia Aluminium Company Limited

February 26, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long Term Bank Facilities	60.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB-; Stable; (Triple B Minus; Outlook: Stable)
Short Term Bank Facilities	105.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A3; (A Three)
<b>Total Bank Facilities</b>	<b>165.00</b> <b>(Rs. One Hundred Sixty-Five Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 25, 2020, placed the ratings of Manaksia Aluminium Company Ltd. (MALCO) under the 'issuer non-cooperating' category as MALCO had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. MALCO continues to be non-cooperative despite repeated requests for submission of information through e-mails dated January 12, 2021, January 27, 2021 and various phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

### Detailed description of the key rating drivers

*At the time of last rating on August 25, 2020 the following were the rating strengths and weaknesses (updated for the information available from stock exchange, banker interaction):*

### Key Rating Strengths

**Experienced promoters:** MAAL is looked after by Mr. Sunil Kr. Agrawal who has an experience of about three decades in manufacturing and factory administration for aluminium rolled products. He is well supported by Mr. Vineet Agrawal in managing day to day operations of the company who also looks into the marketing function of the company. The other promoter directors i.e. Mr. Basudeo Agrawal (father of Mr. Vineet Agrawal) and Mr. Anirudha Agrawal (son of Mr. Sunil Kr. Agrawal) are also involved into the overall management of the company.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

\*Issuer did not cooperate; Based on best available information

**Stable financial performance in FY20 albeit losses in 9MFY21**

The company reported a TOI of Rs.281.29 crore in FY20 (A) vis-à-vis Rs.275.61 crore in FY19 (A). PBILDT margin stood at 7.08% in FY20 (A) as against 5.82% in FY19 (A). Interest coverage stood at 1.58x in FY20 vis-a-vis 1.77x in FY19. The company reported gross cash accruals of Rs.10.56 crore as against debt repayment obligations of Rs.0.21 crore. In 9MFY21, the company reported loss of Rs.5.81 crore on a total operating income of Rs.183.34 crore.

Further, deferment of interest on cash credit facility and moratorium in respect of term loan was availed by the company from March, 2020 onwards as per the Covid-19 Regulatory Package announced by the Reserve Bank of India.

**Reducing geographical concentration risk**

MACL revenue is mainly driven by exports to overseas countries such as Nigeria, USA, UAE, etc. Its export revenue forms about ~68% of total sales in FY19 (61% in FY18). However in FY19, the company's major export sales were made to USA.

**Key Rating Weaknesses****Moderation in financial risk profile on account of debt laden capex**

The company's overall gearing moderated from 0.87x as on Mar 31, 2018 to 1.18x as on Mar 31, 2019 on account of availment of term loan and unsecured loan for the capex along with higher utilization of working capital limits. Total debt to GCA also moderated from 12.77x in FY18 to 15.15x in FY19 due to increase in debt levels.

MACL's overall gearing and debt protection metrics deteriorated to 1.32x and 16.15x as on Sep 30, 2019.

**Delay in commercial operations of additional caster unit**

The expected COD for the additional caster plant (7,800 tpa) was April, 2019 earlier and the debottlenecking of the existing rolling mill for which various machines are to be installed was expected to commence by June, 2019. However, due to various operational issues related to machinery defect and subsequent replacement, the commercial production of caster unit got delayed and commenced from December 08, 2019. The debottlenecking of the existing rolling mill is expected to commence operations from March, 2020 onwards. The company has incurred around Rs.20.80 crore (out of total project cost of Rs.24.61 crore) on the project till October 30, 2019. The implementation of the aforesaid project is expected to improve capacity utilisation (CU) of rolled products (CU: 64% in FY19).

**Profitability susceptibility to volatility in prices of raw materials**

Raw material expense is the major cost driver for MACL and forms about ~71% of total cost of sales in FY20 (78% in FY19). The major raw material is Aluminium Scrap. Since the raw material is the major cost driver and raw material prices are volatile in nature, the profitability margin of the company is susceptible to fluctuation in raw material prices.

**Exposure to forex fluctuation risk**

MACL imported about ~92% of its raw-material requirement (mainly aluminium scrap) in FY19. Furthermore, MACL has a large presence in export market. On an overall basis, the exports receivables get offset with import payables to a large extent. In view of this, the company has a flexible forex hedging policy and generally partially hedges its forex exposure through forward cover. In FY19, MACL reported forex gain of Rs.1.63 crore as against Rs.1.07 crore in FY18.

**Working capital intensive nature of operations**

MACL's operation is working capital intensive in nature as it needs to provide certain credit period to its customers in view of general practice in the industry and stock raw material inventories due to lead time involved in import of raw-material (2.5 months from overseas port to factory). The company's operating cycle stood at 65 days in FY20 (88 days in FY19).

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)  
[Criteria on assigning 'outlook' and 'credit watch'](#)  
[CARE's Policy on Default Recognition](#)  
[Financial ratios – Non-Financial Sector](#)  
[Rating Methodology-Manufacturing Companies](#)  
[Criteria for Short Term Instruments](#)  
[Complexity Level of Rated Instruments](#)

### About the Company

Manaksia Aluminium Co. Ltd. (MACL) was incorporated on March 25, 2010. It was a dormant company till October 1, 2013 when the aluminium division of Manaksia Ltd. (ML) was transferred to it under the scheme of demerger. The company is engaged in manufacturing of secondary aluminium rolled products like Pre-Coated Coil & Sheet alongwith Colour Coated Coil & Sheet with an installed capacity of 18,000 tpa at Haldia in West Bengal. The company also has a plant at Bankura which is not currently operational. The products are widely used in the construction and transportation sector, fan industry, automobiles, consumer durable sector etc.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	275.61	281.29
PBILDT	16.05	19.91
PAT	7.33	5.84
Overall gearing (times)	1.18	NA^
Interest coverage (times)	1.77	1.58

A: Audited ^Not available

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	45.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	105.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	September, 2024	15.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18)
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (25-Aug-20)	1)CARE BBB; Stable (08-Jan-20) 2)CARE BBB; Stable (03-Apr-19)	1)CARE BBB; Stable (04-Jan-19)	1)CARE BBB; Stable (05-Jan-18)
3.	Non-fund-based - ST-BG/LC	ST	105.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A3; ISSUER NOT COOPERATING* (25-Aug-20)	1)CARE A3+ (08-Jan-20) 2)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Jan-19)	1)CARE A3+ (05-Jan-18)
4.	Fund-based - LT-Term Loan	LT	15.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (25-Aug-20)	1)CARE BBB; Stable (08-Jan-20) 2)CARE BBB; Stable (03-Apr-19)	-	-

\*Issuer did not cooperate; Based on best available information

## Annexure-3: Complexity Level of Rated Instruments

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-BG/LC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**